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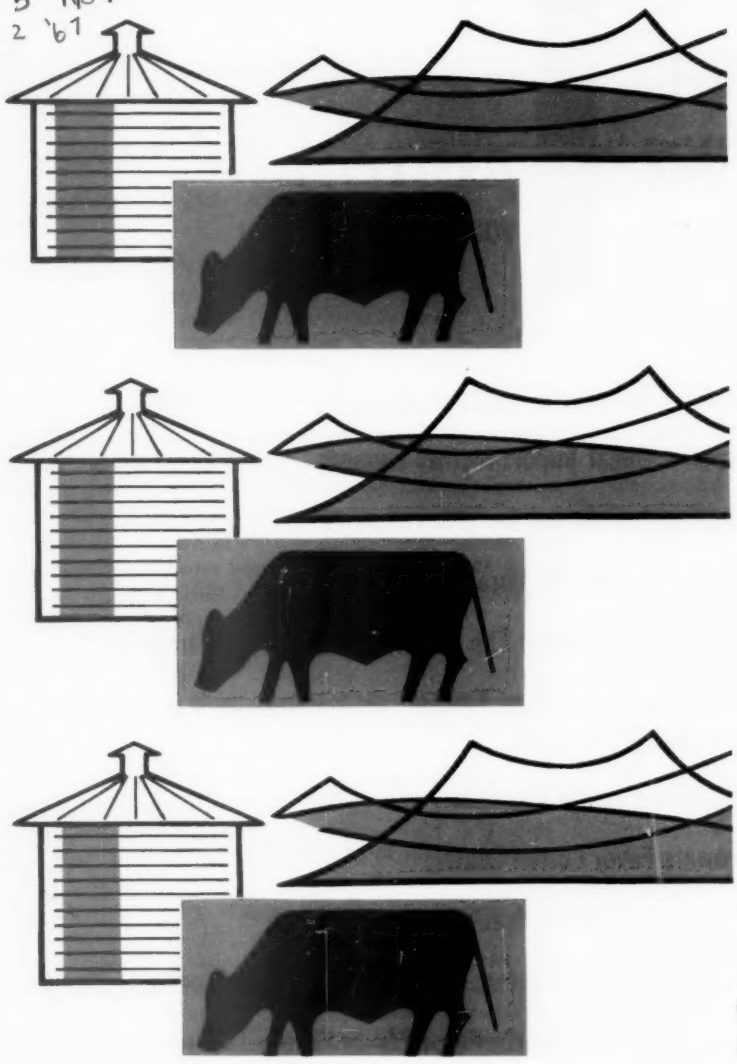

JANUARY 2, 1967

CREDIT A POWERFUL FORCE
IN AGRICULTURAL DEVELOPMENT

FOREIGN MARKET FOR
U.S. LIVESTOCK AND PRODUCTS

DISPATCH FROM INDIA

JAN 16 1967.

FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

A WEEKLY MAGAZINE OF THE UNITED STATES DEPARTMENT OF AGRICULTURE
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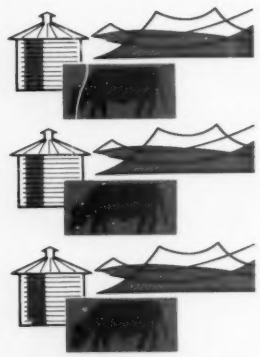

One artist's abstract view of the U.S. cattle industry—a multi-million-dollar operation which has earned not-so-abstract dollars and cents from exports. An article on overseas markets for U.S. livestock and meat begins on page 5.

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Credit—A Powerful Force in Agricultural Development

Agriculture needs credit institutions that are prepared to deviate from traditional banking policy and to follow up loans with technical assistance.

By RALPH U. BATTLES
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In any country, regardless of its stage of development, an adequate supply of credit to farmers is one of the prerequisites to increased agricultural production and a better life on the farm. The United States and other developed nations have met this need through specialized agencies, which have set the pace for other lenders.

However, in much of the world, agricultural credit programs are not effective because the institutions lack capital and because traditional banking institutions are unable or unwilling to effectively finance small farmers.

The constructive program

An effective program of agricultural credit needs to focus on constructive loan purposes, to supply additional inputs that are not otherwise available to farmers from their own financial, physical, and labor resources. The four main categories that need this supplementation are inputs and services to—

- Assure the optimum production of marketable products;
- Provide for the storage, preservation, and marketing of these products;
- Provide for maximum improvement and conservation of farms, consistent with optimum production; and
- Provide for the necessary purchases for farmers' homes to improve their level of living to a standard they can maintain within their individual income levels.

Agricultural credit ceases to be an economic force facilitating development if it attempts to finance farmers who do not have a potentially adequate economic base. If the farmer lacks enough financial, physical, and labor resources within his family—together with those supplied through the proceeds of a loan—to increase his production and income sufficiently to pay the loan with reasonable interest and improve his level of living, no economic purpose will be served by making a loan. A loan on an uneconomic basis becomes a grant, and thus it destroys repayment discipline and contributes to the deterioration of the credit institution's financial strength.

Capital and technical assistance programs of the United States in the developing countries should be conceived and implemented with the view of contributing not only to the immediate economic and social improvement of recipient countries, but also to the development of credit institutions and of trained human resources, to a point where they will eventually be fully self-supporting.

This involves institution building in the fullest sense. It contemplates capital assistance at the beginning, which serves as a nucleus and which can be multiplied by appropriate self-help devices implemented by the recipient country. It also contemplates the development of an adequately trained corps of official and technical people in the host country, who can eventually carry on and further develop constructive programs without further outside capital or technical assistance.

Requires special financing institutions

The distinctive characteristics of agriculture require a specialized type of credit institution—or an autonomous department in general credit institution—which is oriented specifically toward agriculture.

Generally, the terms, interest rates, and security requirements of the classical banking institutions do not serve the needs of farmers. Their major policy considerations in selecting loan recipients are minimum risk, lowest administrative cost, and maximum return on investment. This policy, of course, is the complete antithesis of what is necessary to finance the many medium- or small-size farms, where risks are high, administration and technical assistance are costly, and service to the farmers takes priority over maximum return on investment.

An effective agricultural credit institution, or department of a general credit institution, needs to be staffed from top to bottom with personnel who have been trained to understand the problems of farmers and the technical assistance required, and who are fully dedicated to serving farmers and their cooperatives.

These special agencies must gear their entire operations to the special characteristics of agriculture.

First of these distinctive characteristics is that agriculture is an industry of small production units. The productivity of these farm units is highly dependent upon the proper application of technical knowledge, which is available to the farmer only through educational programs.

Second, the cycles of production are biologic in character. This requires loans for terms that coincide with the crop season or production cycle, the breeding cycles of various types of livestock, and the marketing season.

Third, the farm business and the farm home are closely associated. Since income is received only when crops and livestock are marketed, farmers must borrow to meet living costs between marketing seasons. This is a sound purpose for making loans, provided the loan is within the earning capacity of the farm.

Fourth, there are many risks connected with agriculture that are not associated with other types of business. The most important of these are fluctuating prices for farm products; partial or complete crop failures; and damage to crops by adverse weather, insect pests, and other natural hazards. Also, livestock are subject to various diseases, which may result in severe losses. These risks can be reduced greatly by following appropriate farming practices such as diversification of crops, use of disease-resistant varieties, and vaccinations and other preventive measures against livestock diseases.

In many developing countries, agricultural banks or

credit institutions of some type, largely government- or state-owned, have been established to serve farmers.

Some, however, have been operated strictly on banking principles, with mortgage security on land an essential requirement for obtaining a loan. This has resulted in service to a highly select group of farmers, in most cases the larger landowners, who are considered the lowest risks for banks. Such a situation is typical where agricultural production techniques are not well developed and loans to small farmers carry high risks. Application of strict banking standards, under which such institutions operate, ignores the principle that the ability of a farmer to pay a loan from his income through increased production is not only the best kind of security, but also an essential prerequisite for agricultural development.

Modern credit institutions

This modern concept is the basis for two general types of agricultural credit institutions—cooperative credit and supervised credit.

Agricultural credit systems that are cooperative in nature developed first in Europe. These systems proved successful and were adapted over the years to agricultural conditions in the United States, providing the basis for the evolution of the Cooperative Farm Credit System under the supervision of the Farm Credit Administration.

During the 1930's, however, it became obvious that the combined facilities of the Cooperative Farm Credit System, private banks, and other private financial institutions could not serve one segment of the low-income farmers.

For this group, the Farmers Home Administration—known in the United States as the Supervised Credit System—was established. It provides money for loans directly from the government, insures loans made by private lenders to farmers, and provides for more intensive technical and management assistance to recipients of the loans. Credit is available from this source to farmers who cannot obtain loans from the Cooperative Farm Credit System or from other sources at reasonable rates of interest.

This pattern of two separate organizations—cooperative credit and supervised credit—has been considered by many authorities as the pattern that should be followed in developing countries. Attempts are also being made in some countries to combine the necessary elements of the two programs under a single credit agency.

Technical assistance, mobilization of capital

It has been stated by an eminent authority on agricultural credit that "credit to farmers without technical assistance is futile, and technical assistance without credit is dangerous." Experience in the United States and many other countries confirms the importance of coordinating these two forms of assistance. However, technical and supervision costs in excess of those that can be paid from a reasonable interest rate must be recognized as necessary educational costs and paid by sources outside the credit institution.

These efforts are dependent, of course, on the availability of capital. It is slow, difficult, and sometimes impossible, for the agricultural sector of any economy to generate sufficient capital for its own development. This is particularly true during the early stage of economic development when farmers are at a disadvantage, both in the sale of products and in the purchase of supplies.

In the United States and Western Europe, much capital for the development of agriculture has been accumulated in other sectors of the economy and channeled into agriculture by various methods. History has shown that government action is needed to open these channels to agriculture. In general, where farmers have been dependent entirely upon private capital from widely scattered sources, their credit needs have not been met at reasonable rates of interest or on terms that were suitable.

A lack of any alternative sources of credit has always placed farmers at a great disadvantage in acquiring the capital they need on a reasonable basis. Private sources of capital will meet farmers' needs for credit on a proper basis only under conditions where farmers have access to alternative sources at reasonable terms. Under such conditions, competition between lenders becomes the controlling factor on interest rates, terms, and security requirements.

In nations having well-developed capital markets, governments have set up agricultural credit systems that channel money into agriculture through the sale of bonds or other types of obligations to investors. These agricultural credit systems have a mandate from their governments to provide the credit needs of their farmers with funds so obtained and, therefore, have control of the terms and conditions of their loans.

Where capital markets are not as well developed, governments must provide—at least in the beginning—most of the money for the agricultural credit systems in their countries. This, in effect, channels capital from nonagricultural sectors of the economy to the extent that the tax burden falls upon nonagricultural enterprises.

The mobilization of capital within each developing country for agricultural credit is an area of self-help that should be strongly emphasized among conditions precedent to U.S. capital and technical assistance.

Japan's Wheat Import Market Expands

In early October the Japanese Government revised its JFY 1966 import plan for wheat, increasing considerably the amount to be purchased abroad. As now projected, imports for the current Japanese (Apr.-Mar.) fiscal year will amount to 4.1 million metric tons, 16 percent more than a year earlier. Preliminary purchase plans for JFY 1967 indicate a further increase amounting to approximately 6 percent.

The larger JFY 1966 imports, as represented by the revision of the plan in mid-year, are the result of a higher-than-expected gain in the consumption of wheat flour products, plans for larger year-end stocks than in the previous year, and a lower-than-expected 1966 domestic crop. During the last 2 or 3 years wheat utilization in Japan has been rising at the rate of 3 to 4 percent annually. It appears that the rate if increase in wheat utilization may now be as high as 8 to 10 percent a year, with bread showing the largest gain.

While Japanese consumption of wheat has been going up, recent governmental surveys indicate the possibility of some slackening in rice consumption. This is apparently being more than offset by greater use of wheat flour products. Currently, the United States is supplying slightly more than half of Japan's total wheat import requirements.

The FOREIGN MARKET for U.S. LIVESTOCK and PRODUCTS

Total exports of U.S. livestock items were down during 1966; but exports of variety meats, hides, and live cattle rose—and 1967 prospects are good.

U.S. exports of livestock, meat, and meat products to all countries were valued at $487.2 million in 1965—about the same as in 1964. Increased sales of tallow, hides and skins, variety meats, and live cattle largely offset appreciable declines in sales of beef, pork, and lard.

For the first 10 months of 1966, however, exports of livestock, meat, and meat products amounted to $397.1 million, compared with $403.3 million in the comparable period of 1965. Export sales of variety meats, hides and skins, and live cattle continued to increase; but beef, lard, and tallow exports declined sharply. For tallow, this was a reversal of an upward trend in exports extending over a period of more than a decade.

Tallow and greases show a downturn

Exports of tallow and greases in 1965 rose sharply to $195.4 million, $15.5 million above the previous year's level. For the first 10 months of 1966, however, sales were running about $15 million below those of the corresponding 1965 period. The reason was short supply and higher prices resulting from reduced slaughter.

The Rome, Barcelona, and Tokyo offices of the National Renderers Association continued to carry out market development activities in an ever-expanding number of countries. Scientific newsletters, information pamphlets, seminars, conferences, participation in international trade fairs, utilization of U.S. trade center facilities, and soap promotion campaigns were important among these activities to boost U.S. tallow sales.

Hides and skins continue to mount

U.S. hides and skins are in great demand in foreign markets, and exports are rounding out their third straight record year. From the $92.7 million of 1964, they rose to $108.3 million in 1965, and that figure has already been exceeded by the $126.4 million rung up during the first 10 months of 1966. This increase has occurred even though foreign supplies of hides are relatively large, owing to seasonal increases in cattle slaughter in Western Europe and to a recovery of beef production and an increasing level of cattle slaughter in Argentina.

Variety meats still selling well

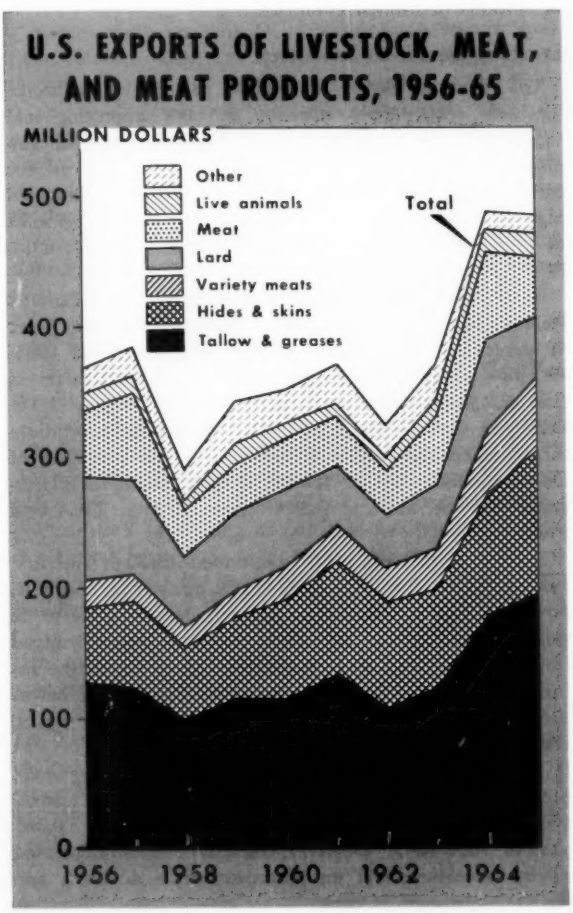
Exports of variety meats, on the upgrade for the past 5 years, rose in 1965 from $47.9 million to $56 million, and they maintained their uptrend during 1966, reaching $49 million in the first 10 months—$5 million more than in the comparable 1965 period.

Market development continued during 1966 at a steady and successful pace. As a followup to the variety meats exhibit and seminar held at the London Smithfield Market in September 1965, a meeting of packers and processors was held in Chicago in February 1966. Mr. Frank Gerrard, long associated with the Smithfield Market, was invited to the Chicago meeting to discuss with the U.S. trade improvements in quality and packaging which would help escalate the volume and value of U.S. variety meats reaching markets in the United Kingdom.

Lard sales dwindle

Lard exports slumped from $69.8 million in 1964 to $47 million in 1965; they continued to drop during the first 10 months of 1966, to $15.7 million compared with $43 million in the same period of 1965. Hardest hit was the big market in the United Kingdom. The primary factors which led to this decline in U.S. sales of lard were reduced hog slaughter in the United States, higher prices for U.S. lard, and substantial increases in lower priced lard from Europe.

In an effort to recapture a greater share of the U.K. lard market, FAS has continued promotion of U.S. lard in the United Kingdom, with the cooperation of the United Kingdom Lard Association. A lard team from the United Kingdom visited the United States in November 1966 to solicit support of U.S. lard exporters for a promotion



campaign designed to improve the image of American lard as a top-quality product. With the prospect of increased lard supplies in 1967, the need for foreign outlets for U.S. lard will be more urgent than in 1966.

U.S. quality meats aim for luxury trade

Meat exports in 1965 dropped $19 million from the 1964 level of $65.7 million. But in the first 10 months of 1966, exports were $38.9 million, $2 million more than those of the same period in 1965.

The Foreign Market Development Project agreement initiated in May 1964 with the American Meat Institute was concluded June 30, 1966. During this period prices of live cattle in the United States moved actively higher, discouraging the prospect of carcass beef exports.

Nonetheless, it became apparent that U.S. top-quality grain-fed beef might be attractive to luxury-type hotels and restaurants in selected cities overseas. Exhibits and demonstrations of U.S. quality beef were held in the spring and fall of 1965 in Bern, Switzerland, and Brussels, Belgium, for the benefit of the luxury-type hotel and restaurant trade.

U.S. airlines, which have been instrumental in overseas promotion of U.S. top-quality beef for the hotel and restaurant trade, are now flying limited quantities of fresh beef to cities in Europe and the Middle East. The National Association of Meat Purveyors, Chicago, Illinois, has agreed in principle to cooperate with FAS in further developing the sale of meats to hotels, restaurants, and institutions in foreign countries.

Exports of live animals hold steady

U.S. livestock exports during the past 3 years reflected the tight meat-supply situation in both importing and exporting countries of the world. Exports of all U.S. animals, which averaged about $10 million a year in the early 1960's, rose to $19.2 million in 1964 and remained high at $18.6 million in 1965. For the first 10 months of 1966, however, they were about $4 million behind those of the corresponding 1965 period.

Most immediately responsive to foreign market demand were calf and cattle exports, which accounted for over 90 percent of the livestock total in both 1964 and 1965. In 1964, a market appeared for U.S. baby veal calves in Europe. Shipments in 5 months of that year totaled 7,979 head—an accomplishment credited to air transportation, in containers designed with the three-way cooperation of the Container Research Service, USDA's Agricultural Research Service, and the U.S. overseas airlines, TWA and PAA.

Shipments of veal calves continued through the first half of 1965. With the easing of Europe's meat shortage, however, emphasis shifted to Holstein heifer calves to be raised as replacement dairy cows, and the volume dropped to a total of 2,100 head in 1965—350 to Israel, the remainder to Italy. Through October in 1966, 3,300 calves had been exported by air to Italy, Iran, Greece, Spain, and Jamaica.

The same sort of shift from meat animals to dairy stock occurred in cattle exports. Europe's meat shortage opened a market for feeder cattle in 1964, which reached 10,365 head by June 1965. However, the U.S. price strengthened at the same time that the European price declined, and feeder cattle exports came to an abrupt halt. Nevertheless, one of the outstanding dividends from the feeder cattle experience was that it proved the costs of transporting U.S. cattle to Europe could be greatly reduced by the use of specialized ships.

Partly reflecting these lower transport costs, shipments of dairy breeding animals began to increase. In the last half of 1965 alone, 2,400 U.S. Holsteins went to Italian farms for foundation breeding stock. As these breeding cattle began to arrive in increased volume, buyers who previously had not considered importation now found they could buy superior proven genetic potential for competitive prices delivered in Italy. By the end of 1965, the Italian market, having absorbed 3,800 head of U.S. Holsteins, ranked as second largest market in the world for U.S. dairy cattle.

In 1966 buyers became more selective, seeking high-quality animals. Thus, while the number of head shipped this year may be lower than last year's, the dollar volume will be far larger.

The promotion work done with the Italians in 1964 has put U.S. Holstein cattle in the European market in sufficient volume to acquaint all classes of farmers with their greater production, longer productive life, and larger size (which gives these animals higher salvage value after their productive life is over). Now the demand for U.S. Holsteins is spreading to other countries in Europe.

Capital Needed for Rural Latin America

Investments in Latin American agriculture must expand sharply in the next few years if farm production is to cope with rising needs, if the region is to fulfill its potential as a world source of food and other farm products, and if its agriculture is to provide the "leading edge" for the development of its economy.

These are some of the conclusions of *Agricultural Development in Latin America: Current Status and Prospects*, a study prepared for the Inter-American Bank by Prof. Montague Yudelman of the University of Michigan's Center for Research on Economic Development.

However, he pointed out, output and productivity will have to rise very substantially to provide food and fiber for the estimated 600 million persons who will be living in the region by 2000 A.D.; and at the same time, Latin American agriculture will have to help provide food for world regions then facing a Malthusian crisis.

The report noted that Latin America's industrial development depends on foreign exchange earnings to pay for imports of capital goods and that agricultural exports will continue for a long time to be the major source of these earnings.

"In realization of this fact," it continued, "and also of the dim prospects for some export commodities, it becomes clear that an active investment program must be initiated to develop high-value export commodities and to diversify away from those traditional exports which have limited possibilities of expansion."

The report emphasized that Latin America's agriculture is characterized by low incomes (averaging less than $200 per capita) and severe undercapitalization, with only 10 percent of the area's total annual investment going to agriculture. It urged a higher investment rate as part of a vast effort to speed overall economic growth.

Dispatch from India: The Food-Crisis Years in Retrospect

India will long remember 1965 and 1966 as years of challenge and of crop disaster.

Drought in 1965 reduced production of vital grain and pulse crops from some 89 million tons in 1964-65 to 73 million tons in 1965-66, the lowest since 1957-58. Population had increased from an estimated 404 million in 1957 to 500 million in mid-1966.

Political and economic repercussions associated with the Pakistan conflict coincided with a food crisis unprecedented since Independence. As this approached its peak, Prime Minister Shastri, who after years in the shadow of the revered Nehru was just emerging as a real leader and national hero, died in January 1966. Despite this, a new government was formed with much less repercussion than many had anticipated.

On the agricultural front, this government expanded emergency measures to increase irrigated acreage and produce crops such as potatoes which were more successful than most had envisaged.

With massive help from the United States and substantial additional aid from Canada, India performed exceptionally well its task of importing and distributing some 10 million tons of grain in 1966. Though hardship in some areas was evident, the country averted famine.

Rains again insufficient

In 1966, monsoon rains began on time and a wave of optimism was evident. However, the fickle rains stopped suddenly for 3 weeks in July, delaying planting, and in large areas rains were minimal from mid-September to late November. A promising crop turned out poorly. Production will be below the trend and probably below the recent average.

In much of the densely populated central portions of the Gangetic Plain, crops have been poor and in many sections a total failure. Some 75 million people will be extremely short of food.

With emergency reserves exhausted by the poor 1965 crop, massive imports of grain will be necessary to avoid acute hardship. U.S. insistence on the use of significant tonages of milo in 1966 has clearly shown that this grain can be used in considerable volume for food in rural areas.

Some agricultural progress

The 2 consecutive years of low and badly distributed rainfall are extremely disheartening to India. In late 1964 the government announced its decision to concentrate resources on agriculture with top priority to increasing immediately food production. Actions in this respect, of course, have not been uniformly successful. Nonetheless, most visiting leaders and economists have been impressed by progress to modernize agriculture.

The administrative structure was reorganized with a competent scientist heading research and development work. The government recognized the need for fertilizer, made efforts to attract investors, and began huge imports. It initiated a program to expand rapidly the use of high-yielding varieties of grains and to provide areas so planted with adequate inputs. The extension program of the past 10 years is showing results, with prospects of a breakthrough in the first year of favorable rains.

On the debit side are problems of credit, and inefficient cooperatives and marketing mechanisms for farm inputs and outputs.

One of the most difficult problems is internal movement of grains. On the basis that grain will be in short supply for several years, a foodgrain policy committee recommended recently that interstate movement continue to be limited to that on government account. This Balkanization of the country virtually eliminates market forces as a means of distribution of food and leaves government mechanism to handle this task. The problem is extremely difficult.

Rupee devalued, trade liberalization begun

An overvalued rupee for a number of years tended to limit sales of Indian goods for hard currencies. This trade was being diverted to the Soviet Bloc in increasing volume where a rupee payments agreement has tended to offset overvaluation.

Probably the most important economic event of 1966 was the government decision to devalue the rupee approximately 36 percent—from 21 to 13.33 cents, effective June 6. This is expected to encourage investment in export industries and to limit imports.

Concurrent with devaluation, export duties were imposed on such traditional exports as jute, tea, coffee, and cotton. Import duties on basic commodities were reduced or eliminated.

Subsequently, on June 21, import controls were substantially relaxed. This was described as a first step toward realizing the intention to move toward a more liberal trade. At that time, raw materials, components, and spare parts required for full-capacity production for 6 months were authorized for 59 priority industries which account for approximately 85 percent of India's total industrial production.

On the agricultural side, hides and skins, tanning substances, and cashew nuts required by export industries may be imported on open general license. As of October 15, total licenses issued under the liberalization program were valued at $542 million.

The success of the devaluation and of import liberalization appears to depend upon two factors.

First, in the short run, additional foreign assistance will be required, and this has been recognized by the Aid to India Consortium. Secondly, and of equal importance, the Indian Government has the extremely difficult political task of making certain that increased production is directed largely to development rather than to immediate increases in the level of living—a tremendous political problem.

As the year ended, India faced an additional period of tight belts. Grain and fats and oils concessional sales apparently will be limited by supply, not need.

Under the circumstances, it is evident that India is still far from becoming a substantial dollar market. Nevertheless, the country in 1965-66 bought 150,000 tons of wheat as a part of its usual marketing requirements and 62,000 tons of rice. These purchases were on short-term credit and for cash, respectively.

—JAMES H. BOULWARE
U.S. Agricultural Attaché, India

Argentina Eases "Blue Tongue" Restrictions on U.S. Cattle but Requires Certification

Argentina has become a more attractive market for U.S. breeding cattle as a result of a recent relaxation of the import restrictions involving "blue tongue" virus.

Since April 1965, cattle destined for Argentina and originating in States west of the Mississippi River had to be quarantined for 4 months east of that line—where the insect-transmitted disease has not been detected. This added considerably to the price of U.S. cattle, and to the discouragement of exports.

Under Argentina's new Presidential decree, however, cattle can be imported direct from any State, provided they have been officially certified as coming from establishments where "blue tongue" has not been diagnosed (applies to nearby farms as well) during the 6 months prior to shipment. On arrival in Argentina cattle must also undergo the customary veterinary tests while in quarantine for at least 60 days.

Argentine authorities said that the easing of the regulations came after an exhaustive study of "blue tongue" disease and of the sanitary precautions to be taken to prevent entry of the disease into the country.

The possible spread of "blue tongue" to Argentina has concerned its officials for some years, but particularly after 1948 when the disease was first identified in the United States. For a time, U.S. imports were banned entirely. U.S. efforts to break the barrier helped bring about a relaxation of the restrictions in 1962. Argentina conceded to allow U.S. cattle to enter so long as they originated in States where no cases of "blue tongue" had been found during the previous 12 months.

The next ruling—made in early 1965 and in effect till now—was not entirely advantageous to American cattle shippers. Though it completely opened the region west of the Mississippi as an acceptable origin for cattle, it also created difficulties for many States free of "blue tongue" west of the river (all but six had had no cases in the previous 12 months) that henceforth were required to quarantine their cattle in the east.

Argentina in 1965 was eighth best market for U.S. beef breeding cattle, taking 450 head, mostly Santa Gertrudis.—MARTIN G. SCHUBKEGEL, *Assistant U.S. Agricultural Attaché, Buenos Aires*

EEC Citrus Levies Possible

In late 1962 the EEC adopted compensatory duties on citrus imports from nonmember countries to be applied whenever import prices fall below the "reference" price—an objective price set by the Commission. These levies were not applied in the 1965-66 or prior marketing seasons, as import prices remained high and exporters attempted to regulate marketings so as to prevent application of the levies. Spain, the largest exporter, placed a quota on its exports to the EEC in 1965-66.

This year, however, the levies are likely to be applied, as exportable supplies are up considerably and prices are apt to fall below reference prices following the seasonal peak in demand in December. CLAM, an organization of Mediterranean citrus producers, estimates that exportable supplies for the season in Mediterranean countries are 3.9 million metric tons—up one-sixth from last year. Considering these abundant supplies and the large EEC deciduous fruit crop, it is not believed that exporters will be able to so control exports as to prevent the application of levies in 1967. The EEC countries account for over half of world citrus imports.

Cotton Program Favored

U.S. cotton growers have approved a new research and promotion program for cotton, to be financed through $1-a-bale assessments on their production—according to preliminary results of a referendum held in December. One of the objectives of the program is market development work to make cotton more competitive on the world market.

In a mail referendum that ended in mid-December, 67.9 percent of the upland cotton producers favored an order proposing a program designed to strengthen cotton's competitive position and expand its uses.

The Cotton Research and Promotion Act, passed last year, requires that the order—to become effective—must be approved by two-thirds of the producers voting, or by a majority accounting for two-thirds of the cotton represented in the referendum. A preliminary count of the votes showed 183,124 producers voting for the order, 86,373 voting against.

The order will not become effective until after the final official results are tabulated and announced.

The proposed program would be administered by a Cotton Board composed of members who are nominated by organizations of U.S. cotton producers and selected by the Secretary of Agriculture.

Poland Buys Soviet Grain

Polish-Soviet talks on trade and increased economic cooperation for 1966-70 in Moscow late last year culminated with the announcement of a sale to Poland of 1 million tons of grain from the 1966 Soviet bumper crop. This represents a sharp increase in Polish grain purchases from the USSR. Wheat is believed to be a major component of the sale.

Polish grain imports, but particularly wheat imports, from the USSR dropped sharply after the 1963 Soviet crop failure. Polish grain imports from the United States also dropped sharply as a result of the withdrawal of P.L. 480, Title I in 1964. Since 1963 Poland has been last in line of the East European countries for Soviet grain.

Late this summer Poland concluded a 3-year agreement with Canada to purchase about 1.2 million tons of wheat and has purchased about $12 million worth of wheat from the United States under CCC credit.

The Soviet sale implies, however, that given export availabilities in the USSR and foreign exchange shortages in Poland, the USSR is willing to make up a good part of the Polish grain deficit. It also suggests that Soviet exports to other East European countries—usually with higher priorities than Poland—will also rise as a result of the good 1966 Soviet harvest.

Livestock Exhibit Fosters U.S. Breeding Cattle Exports to Mexico

Above and right, typical scenes as some 5,000 visitors a day crowded exhibits of U.S. breed associations at Mexican National Livestock Exposition.

Eighteen U.S. livestock associations and the Foreign Agricultural Service promoted exports of breeding cattle and hogs in November at the largest livestock show in Mexico's history. The show—the 10-day 1966 National Livestock Exposition—was held at the National Agricultural School located 25 miles from Mexico City.

The U.S. promotion, which consisted of 11 exhibits located in one pavilion of the exposition, attracted an estimated 5,000 visitors a day. Exhibitors reported that numerous inquiries were received for purchases of U.S. breeding stock and many contacts were made that should lead to future sales.

Eight of the exhibits represented separate U.S. beef breed associations, two represented dairy associations, and one, eight swine associations.

Each exhibit was manned by association representatives who distributed promotional literature and provided visitors with information on breed qualities, prices, availability of desirable stock, financing, and related considerations. Visitors included prospective importers, local livestock producers, agricultural students, veterinarians, and Mexican livestock association and Government officials. Some 50,000 pieces of promotional material were distributed during the exposition.

Mexico is by far the largest present market for U.S. breeding cattle, taking 40 percent of total U.S. exports.

Exports of dairy breeding cattle from the United States to Mexico amounted to 10,494 head in 1965—up nearly 65 percent from those of 1964. Exports of beef breeding cattle amounted to 6,781 head in 1965, also up from 1964. Exports of swine totaled 9,684 in 1965, down considerably from 1964.

European Trade Reacts Favorably to Cotton Leisure Wear Campaign

Building substantial West European markets for cotton leisure wear has been Cotton Council International's No. 1 goal for the past few years. Promotion has been concentrated on cotton piques, then seersuckers, madras, and crepon, and more recently on the heavier ribbed fabrics—corduroys, drills, gabardines, and whipcords.

So far response to the campaign has been good among leading designers and manufacturers in France, Italy, the Netherlands, and Sweden; and reports from European trade journals have been encouraging.

"Obviously cotton has gained considerably in prestige," was the comment of the *Textile Schnell Report*, a leading German magazine. The cotton wear exhibits at the Interstoff Fair—probably the most important textile exhibition in Europe—drew this remark from *Schnell*. "Emphasis on one or more cotton finishes—such as wrinkle resistance and easy-care properties—contributed considerably in giving new impetus for cotton and in fostering its acceptance at industry and consumer levels."

France's *Journal Du Textile* last October reported "a trend in women's garments to leisure wear—shirts and pants with the accent on comfort and gaiety of colors. The principal material is cotton."

The British trade journal *The Outfitter* reported last August on the Cotton Council preview at the Menswear Exhibit at Cologne: "In a fashion world of manmade fibers, casual cotton is competing and keeping up to date." The International Committee on Menswear found that for rainwear the trend in all countries is to cotton.

A survey of textile manufacturers at the Interstoff Fair in June, by the German agency Regina, revealed that 88 percent of the manufacturers had all cotton in their collections, and about half of these collections were from 60 to 95 percent cotton garments. Most manufacturers reported a greater interest in cotton than the previous year.

This confirming statement came from top competitors, synthetic manufacturers, in their journal *Manmade Textiles:* "All indications now point to cotton as the trend-setting fiber for spring 1967."

Common Market Raises Chicken Levies

On December 5 the EEC Commission approved changes in its supplemental levies on whole chicken. This action, the second since late October, raised the supplemental levy on whole broilers from 6.80 cents to 7.94 cents per pound. Total charges on nonmember countries' imports into West Germany, the major market, now exceed 17 cents per pound.

Also, the Commission approved for the first time a selective application of the supplemental levies on whole grillers and on halves and quarters of whole chickens. For products originating from Hungary, Poland, and Romania, the levies were increased from 5.67 cents per pound to 7.94. The levies on products originating from all other non-EEC countries were reduced from 5.67 cents to 4.54. However, the total German charges on these products imported from the United States is still about 14½ cents per pound.

Switzerland's Cheese Exports Up

Switzerland exported 64 million pounds of cheese in the first 9 months of 1966, an increase of 14 percent over the 56 million pounds exported in the same months of 1965.

Shipments to EEC countries accounted for 75 percent in both years. Of these countries, Italy made the largest purchases, taking 22 million pounds this year, 3 million more than in 1965. Sales to the United States, at 9 million pounds, were up 20 percent.

Cheese imports during the period totaled 21 million pounds, an increase of 8 percent over the same period a year earlier. EEC countries supplied 18 million pounds.

Imports of butter, all from European sources, at 7 million pounds, were about 1 million less than in 1965.

Argentina's Butter Exports Still Declining

Argentina's exports of butter have been declining for several years, and indications are that shipments in calendar 1966 will show a further decline. In the first half of the year, exports were only 5 million pounds, a 61-percent drop from the comparable period of 1965.

The United Kingdom, Argentina's leading market, took only 4 million pounds, about 3 million pounds below the quantity shipped in the first 6 months of 1965. Sales to Peru and Chile were less than 1 million pounds in both years. There were no shipments to France, West Germany, or Algeria, which a year ago took more than 1 million pounds each.

Exports of cheese were up 65 percent to 10 million pounds. This increase was due largely to heavier purchases by Italy—6 million pounds compared with 2 million last year. Shipments to the United States were approximately 3 million pounds in both years. Small sales—all under 1,000 pounds—were made to several other markets, among them Peru, Canada, the United Kingdom, and Belgium.

Trade in casein declined 25 percent to 19 million pounds. Greatly reduced shipments to the United Kingdom (from 3 million to 395,000) and to West Germany (from 2 million to 271,000) accounted for much of this decline. Exports to the United States decreased 5 percent to 15 million pounds. No sales were made to Japan, which a year ago took more than 1 million pounds.

Italy To Export Monosodium Glutamate

In 1967 Italy is expected to become a net exporter of monosodium glutamate—a crystalline salt used for enhancing the flavor of foods. Two new large manufacturing plants will go into full production, which will allow Italy to satisfy its domestic requirements and permit the export of reasonably large quantities.

Until 1965, Italy's annual production capacity was estimated at 4,500 metric tons, and production reached only 2,940 metric tons in 1965. Output has been at less than capacity because of competition from imports. New plants at Manfredonia and Brindisi will add an additional 10,000 metric tons to total capacity. Both of these new plants are reported to be more efficient, lower cost producers.

Italy's increased production capacity will permit the export of large quantities of monosodium glutamate. In the past France has been the leading supplier to Italy. Recent price quotations per kilo (2.2 pounds), f.o.b. producer, for local use are reported at from $1.04 to $1.12.

Australia Lowers Duty on Instant Coffee

The Australian Tariff Board has recently reduced the import duty on instant coffee by 13.4 U.S. cents per pound to a revised rate of 44.8 cents. Australia now produces most of its own instant coffee, but it does import about 10-20 percent of its needs. The United States is the largest source of the imported supplies.

The green coffee used in Australia's domestic soluble coffee industry comes largely from Papua-New Guinea, Uganda, and Brazil. In addition to the duty reduction, the Tariff Board also recommended a continuation of the special arrangement whereby roasters who obtain at least 30 percent of their green coffee requirements from Papua and New Guinea may import green coffee duty-free from other sources. The standard duty on green coffee is about 4.7 U.S. cents per pound.

Ontario Flue-Cured Auction Sales

Auction sales of the 1966 flue-cured tobacco crop in Ontario, Canada, through December 9 totaled 51.3 million pounds at an average price of 71.5 Canadian cents per pound. This compares with 50.0 million pounds averaging 63.1 cents per pound through the fifth week of sales last year.

All auction warehouses reportedly were closed for the holiday season following the daily sale on Wednesday, December 21. Sales will resume on Tuesday, January 3, 1967, with tobacco received on the previous day. If the volume of daily sales was maintained through December 21, almost one-third of the crop would have been sold through that date.

France Imports More Tobacco

French imports of unmanufactured tobacco totaled 55.0 million pounds in the first half of 1966—almost 50 percent larger than the 35.7 million in January-June 1965.

Major sources of imports this year were Brazil, 12.5 million pounds; Bulgaria, 10.4; the United States, 5.2; and Colombia, 4.4. Purchases from all these sources this year were much larger than a year ago.

FRENCH IMPORTS OF UNMANUFACTURED TOBACCO

Origin	January-June	
	1965	1966
	1,000 pounds	*1,000 pounds*
Brazil	4,557	12,485
Bulgaria	1,041	10,395
United States	3,351	5,236
Colombia	55	4,418
China	948	3,113
Argentina	7,381	2,639
Paraguay	2,039	2,427
Malagasy Republic	1,208	1,627
Philippines	3,408	1,550
Romania	0	1,424
Poland	1,473	1,409
Others	10,208	8,243
Total	35,669	54,966

Tobacco Intelligence, London.

New Zealand's Cigarette Output Up

Cigarette ouput in New Zealand during the first half of 1966 totaled 2,055 million pieces—up 7.2 percent from the 1,917 million produced in January-June 1965. Combined production of the other products, however, dropped to 1.6 million pounds from 1.8 million for the first 6 months of the previous year.

Cigarette sales, at 2,163 million pieces, were 9.5 percent larger than the 1,975 million pieces sold in January-June 1965. Combined sales of the other products dropped to 1.6 million pounds from 1.8 million for the same period a year ago.

Japan Markets New Cigarette Brands

The Japan Monopoly Corporation introduced two new brands of cigarettes on December 1. Both brands are filter tipped and sell for the equivalent of 27.8 U.S. cents per package of 20. The Yamato brand is a blend of imported and domestic flue-cured. The other brand, Kohaku, is an American-blended type containing U.S. and Japanese flue-cured, Japanese burley, and oriental leaf.

U.K. To Import Less Grain

The United Kingdom expects to import 4.15 million long tons of wheat and 4.1 million tons of barley and other coarse grains in the 1966-67 marketing year, according to a report of the Home Grain Cereals Authority issued at the end of October. These quantities compare with imports of 4.6 million tons of wheat and 4.23 million tons of coarse grains in 1965-66.

The smaller import requirements reflect a 360,000-ton increase in domestic grain production this year. The barley crop was 940,000 tons larger than in 1965 while wheat was off a half million tons and other grains 80,000 tons. The high quality of the wheat crop, allowing a high proportion to be used for human food, and the substitution of barley for feed wheat have served to reduce wheat import requirements.

An estimated 5.45 million tons of wheat and 2.6 million tons of barley and other coarse grains will be used for human consumption in the current year, compared with 5.39 million tons and 2.54 million tons, respectively, in 1965-66, the Authority indicated.

Consumption of wheat for animal feed is estimated at 2.0 million tons, against 2.93 a year earlier, and coarse grain consumption for feeding is placed at 10.6 million tons against 9.61 million.

The Authority has reported that by October 31 imports of wheat and wheat flour plus forward commitments amounted to 2.38 million tons, leaving 1.77 million tons outstanding for the year. At the same time in 1965, 1.17 million tons were outstanding.

Imports and commitments for import of coarse grains by the end of October 1966 amounted to 2.2 million tons. This leaves 1.9 million tons of imports outstanding for the year, compared with 1.5 million tons at the same time last year.

The Authority has also indicated that exports of barley are expected to rise to 800,000 tons from 668,000 tons in 1965-66.

Mexico's Wheat Supplies Are Reduced

Mexico's 1966 wheat crop is estimated at 1,450,000 metric tons, down from 2 million last year. Wheat acreage was reduced about 20 percent, principally because of a lowered support price on irrigated land. As a result, the wheat supply will be close to the level of domestic requirements, and it is possible that some imports may be necessary.

Mexico exported between 405,000 and 480,000 tons of wheat in each of the last 3 years. The only wheat exports this season have been 40 tons of seed wheat sent as part of a Mexican program to help increase wheat production in India.

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Highlights of the Agriculture and Trade of Tunisia

Resources.—Slightly larger than the State of Florida, Tunisia covers 63,378 square miles. About 30 percent of this area is cultivated; an additional 18 percent is classified as potentially productive agricultural land, needing various types of development, basically water. About 45 percent of the country is desert and wasteland. Most of the population is engaged in subsistence agriculture. Growing at over 2 percent annually, population totaled 4.8 million in 1966. In 1965, Tunisia's Gross National Product was $823 million and per capita GNP was $175.

Agriculture.—There is a sharp contrast between Tunisia's modern and traditional agricultural sectors. The traditional sector, composed of low-yielding agricultural units, is largely a subsistence economy. The modern sector, which has been mechanized, engages in large-scale farming and produces commercial crops. Tunisia's leading crops are wheat, barley, olives, wine grapes, and citrus fruits. Also grown are many kinds of fruits and vegetables, as well as esparto grass and cork.

Extremely dry weather affected most nonirrigated crops in Tunisia in 1966, sharply lowering production. The USDA index estimates 1966 production at 76 (1957-59 = 100), 21 percent below 1965. Grains and olive oil were hardest hit. Per capita production in the nation is moving downward and has fallen in each of the past 3 years.

Agricultural trade with the United States.—The United States was second as a supplier of Tunisian imports in 1965, but it purchased less than 5 percent of Tunisia's exports. The United States shipped close to $44 million worth of exports to Tunisia in 1965; about $23 million were agricultural items—mostly grains, grain preparations, and vegetable oils—with wheat accounting for nearly half. Total U.S. imports from Tunisia in 1965 reached $4.7 million. Agricultural imports of $1.5 million were almost entirely olive oil. Most U.S. agricultural shipments to Tunisia since 1956 have occurred under Public Law 480 programs.

Factors affecting agricultural trade.—Tunisia's traditional preferential trade status with France has been undergoing radical changes in recent years and is further complicated by France's own trade policy as a part of the European Economic Community's agricultural policy.

In general, growing population pressures within Tunisia have also been increasing the domestic demand for agricultural products, lessening the amounts of such products available for export, and promoting the need for more agricultural imports.

Food situation.—Grain supplies over 50 percent of the average Tunisian's daily per capita intake of approximately 2,000 calories. An additional 30 percent is supplied by fats and oils, sugar, fruits, and nuts. Wheat is preferred to barley by most Tunisians, but more of the latter is generally consumed because of the relative cost and greater availability, particularly in rural areas. In years of average harvests, about a third of the calories consumed have come from imported foods. The 1966 drought left Tunisia with a sizable need to import both grain and vegetable oil.

Foreign trade.—Tunisia has had a chronically unfavorable balance of trade. Exports totaled $119.9 million in 1965 with agricultural products accounting for about 43 percent. Phosphate rock and phosphate fertilizer accounted for an additional 32 percent. Imports in 1965 reached $245.9 million, about 16 percent agricultural. Olive oil, wine, fruits, and live animals were the leading agricultural exports. Grains, vegetable oil, cotton, and tea were major agricultural imports.

France, Tunisia's major trading partner, supplied about 40 percent of all imports and received almost one-third of all exports in 1965. In previous years, France accounted for almost half of all Tunisian trade.

To lessen the trade deficit by encouraging exports and regulating imports, the Tunisian Government has created regional commercial and export societies, and major staples are imported by state monopolies. Orders for other imports of raw materials and semimanufactured products are pooled through various importer groupings.

The first year of the Four-Year Plan (1965) witnessed the largest public and private investment Tunisia has ever known, and imports soared. However, the government plans to curb investment and encourage domestic savings in 1967 which could restrict the growth of Tunisian imports.

—CAROLEE SANTMYER
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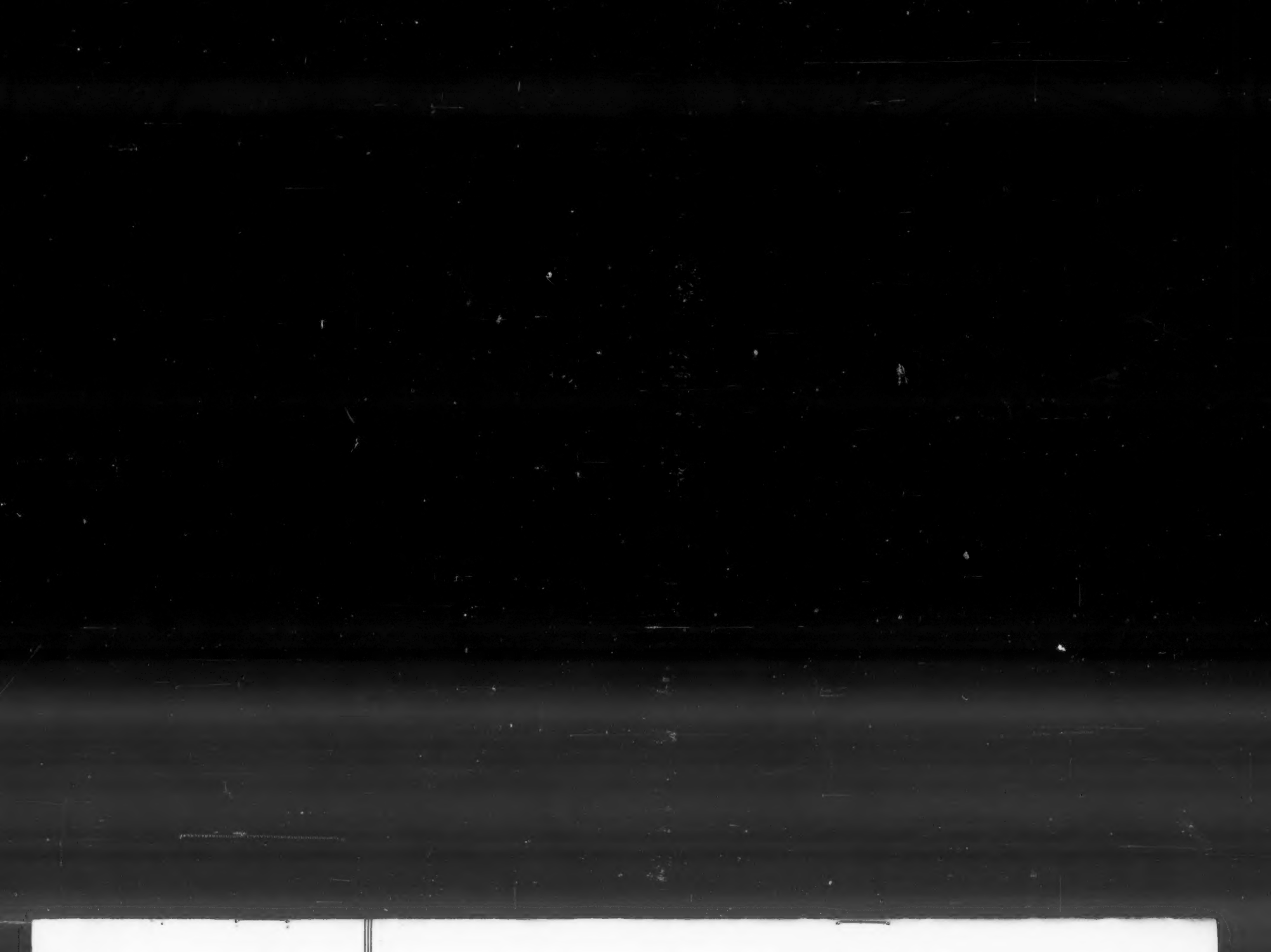
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